DOCUMENT RESUME

ED 405 461 CE 073 636

AUTHOR	Joyner, Carlotta C.
TITLE	Department of Labor. Challenges in Ensuring Workforce Development and Worker Protection. Testimony before the Subcommittee on Human Resources, Committee on Government Reform and Oversight, House of Representatives.
INSTITUTION	General Accounting Office, Washington, DC. Health, Education, and Human Services Div.
REPORT NO	GAO/T-HEHS-97-85
PUB DATE	6 Mar 97
NOTE	25p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015; fax: 301/258-4066; World Wide Web: http://www.gao.gov (first copy free; additional copies $2.00 each; 100 or more: 25% discount).
PUB TYPE	Viewpoints (Opinion/Position Papers, Essays, etc.) (120) -- Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Accountability; Adult Education; *Agency Role; Cost Effectiveness; Federal Legislation; Health Insurance; Information Management; Job Training; *Labor Force Development; *Labor Legislation; *Occupational Safety and Health; Program Costs; Program Implementation; *Public Agencies; Public Policy
IDENTIFIERS	Davis Bacon Act; *Department of Labor; Welfare Reform

ABSTRACT

In Fiscal Year 1997, the U.S. Department of Labor (DOL) has an estimated budget of $34.4 billion and is authorized 16,614 full-time-equivalent staff-years. DOL's many programs fall into two major categories: enhancing workers' skills through job training and ensuring worker protection. The DOL's work force development mission is being challenged by the federal government's patchwork of job training programs, which are characterized by overlap/duplication. Although the responsibility for delivering the employment training services required by recently passed welfare-to-work legislation rests with state and local governments, the DOL will likely be called upon to encourage/facilitate and integrate needed employment training services. For the past 2 years, the DOL has worked to use its resources more efficiently and make its worker protection efforts more service oriented. With regard to its worker protection mission, the DOL faces regulatory challenges in two specific areas: redesigning the wage determination process under the Davis-Bacon Act and developing and enforcing regulations regarding portability of employer-provided health insurance. In response to recent legislation designed to improve federal agencies' management practices, the DOL is working to improve its management practices, mission performance, financial reporting, and information management and use of information technology. (MN)

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Human Resources, Committee on Government Reform and Oversight, House of Representatives

For Release on Delivery
Expected at 1:30 p.m.
Thursday, March 6, 1997

DEPARTMENT OF LABOR

Challenges in Ensuring Workforce Development and Worker Protection

Statement of Carlotta C. Joyner, Director
Education and Employment Issues
Health, Education, and Human Services Division

ED 405 461

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

CE 073 636

GAO/T-HEHS-97-85

BEST COPY AVAILABLE

Department of Labor: Challenges in Ensuring Workforce Development and Worker Protection

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the challenges faced by the Department of Labor in carrying out its mission in a cost-efficient and effective fashion.

With a budget of about $34 billion and about 16,000 staff in fiscal year 1997, Labor's mission is to foster, promote, and develop the welfare of U.S. wage earners; improve their working conditions; and advance opportunities for profitable employment. Over the past several years, the U.S. work environment has changed in such a way that achieving this mission is more difficult. For example, the strength of international competition has made us increasingly aware of the need for a skilled labor force. At the same time, large numbers of individuals in this country remain unprepared for such employment. Also, changes in employer/employee relations, such as increased use of part-time and contract employees, pose new challenges for worker protection. In addition, the public is demanding more accountability from government agencies such as Labor—more assurance that their tax dollars are not being wasted and that government is operated according to sound business practices.

Today, I would like to discuss two major challenges Labor faces in achieving its mission: first, providing effective employment training programs that meet the diverse needs of its target populations in a cost-efficient manner and, second, ensuring worker protection within a flexible regulatory structure. In addition, I want to discuss how Labor's ability to meet these challenges would be enhanced by the improved management envisioned by recent legislation.

In summary, although Labor has historically been the focal point for workforce development activities, it faces the challenge of meeting those goals within the context of an uncoordinated system of multiple employment training programs operated by numerous departments and agencies. In previous testimony before this Subcommittee,[1] we reported that, in fiscal year 1995, 163 federal employment training programs were spread across 15 departments and agencies (37 programs were in Labor), with a total budget of over $20.4 billion. Although we have not recounted the programs and appropriations, we are confident that the same problem still exists. Rather than a coherent workforce development system, we

[1]Department of Labor: Rethinking the Federal Role in Worker Protection and Workforce Development (GAO/T-HEHS-95-125, Apr. 4, 1995).

continue to have a patchwork of federal programs with similar goals, conflicting requirements, overlapping target populations, and questionable outcomes. As you know, comprehensive legislation that would have addressed this fragmentation was considered but not passed by the 104th Congress. In the absence of consolidation legislation, Labor has gone ahead with some reforms, such as planning grants for one-stop career centers, but the actions it has taken have not been enough to fix the problems. Now, passage of the recent welfare reform legislation puts even greater demands on an employment training system that appears unprepared to respond.

A second major challenge for Labor is to develop regulatory strategies that ensure the well-being of the nations' workers in a less burdensome, more effective manner. Labor has made some changes since we last testified, which are perhaps best illustrated by actions at the Occupational Safety and Health Administration (OSHA), such as its partnership initiatives with companies. But OSHA's actions have not been without controversy, and substantial challenges remain there and at other Labor components with worker protection responsibilities. Congressional action poses new challenges in the worker protection area as well. Labor has committed to redesigning its Davis-Bacon wage determination process with additional funds appropriated by the Congress. Labor also must issue and enforce regulations to implement the new health insurance portability law.

In meeting these mission challenges, Labor will need to become more effective at managing its organization. The Department of Labor, like other federal agencies, is confronted by management problems that impede its ability to carry out its mission efficiently and effectively. Major pieces of legislation that provide a statutory framework for improving agency operations and accountability include (1) the 1993 Government Performance and Results Act (GPRA), which requires agencies to focus on results as they define their missions and desired outcomes, measure performance, and use that performance information; (2) the expanded Chief Financial Officers (CFO) Act of 1990, which requires agencies to prepare financial statements that can pass the test of an independent audit and provide decisionmakers reliable financial information; and (3) the 1995 Paperwork Reduction Act and the 1996 Clinger-Cohen Act, which are intended to help agencies better manage their information resources and make wiser investments in information technology. Labor has made progress in response to each of these initiatives, but work remains to be done before the goal of improved management is reached.

Background

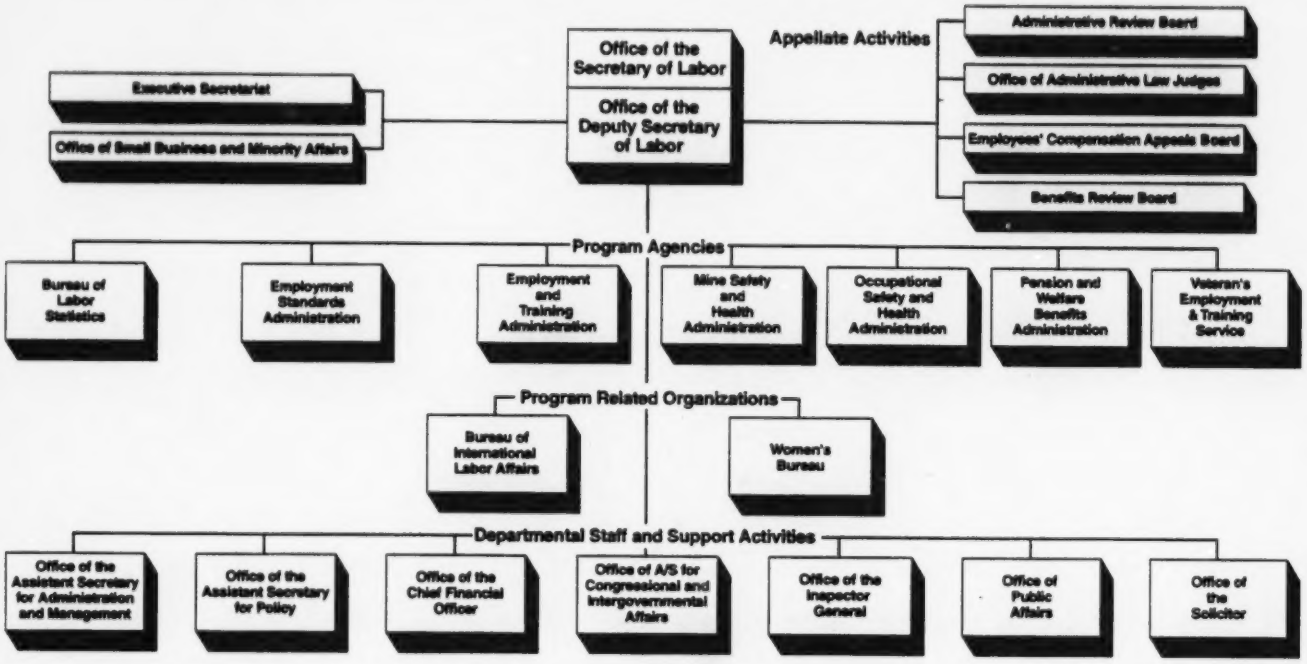
Labor, established as a Department in 1913, administers and enforces a variety of federal labor laws guaranteeing workers' rights to a workplace free from safety and health hazards, a minimum hourly wage and overtime pay, family and medical leave, freedom from employment discrimination, and unemployment insurance. Labor also protects workers' pension rights; provides for job training programs; helps workers find jobs; works to strengthen free collective bargaining; and keeps track of changes in employment, prices, and other national economic measures. Although Labor seeks to assist all Americans who need and want to work, special efforts are made to meet the unique job market problems of youths, older workers, economically disadvantaged and dislocated workers, and other groups.

In fiscal year 1997, Labor has an estimated budget of $34.4 billion and is authorized 16,614 full-time-equivalent (FTE) staff-years. About three-fourths of Labor's budget is composed of mandatory spending on income maintenance programs, such as the unemployment insurance program. The administration's fiscal year 1998 budget request is $37.9 billion in budget authority and 17,143 FTE staff. The budget request includes $12 billion for Labor's major budget themes—an increase of $1.7 billion over fiscal year 1997. Included in the request for fiscal year 1998 is $750 million in mandatory funding for a new welfare-to-work jobs program.

Labor's many program activities fall into two major categories: enhancing workers' skills through job training and ensuring worker protection.[2] Figure 1 shows the organizational structure of the Department.

[2]Labor also is responsible for developing economic statistics, such as the Consumer Price Index (CPI). Labor's fiscal year 1998 budget requests $17.5 million to update and improve its key economic reporting systems, of which $2.1 million is for the first year of a multiyear initiative to revise and upgrade the CPI.

Figure 1: Department of Labor Organization Chart


Office of the Secretary of Labor
Office of the Deputy Secretary of Labor
Executive Secretariat
Office of Small Business and Minority Affairs
Appellate Activities
Administrative Review Board
Office of Administrative Law Judges
Employees' Compensation Appeals Board
Benefits Review Board
Program Agencies
Bureau of Labor Statistics
Employment Standards Administration
Employment and Training Administration
Mine Safety and Health Administration
Occupational Safety and Health Administration
Pension and Welfare Benefits Administration
Veteran's Employment & Training Service
Program Related Organizations
Bureau of International Labor Affairs
Women's Bureau
Departmental Staff and Support Activities
Office of the Assistant Secretary for Administration and Management
Office of the Assistant Secretary for Policy
Office of the Chief Financial Officer
Office of A/S for Congressional and Intergovernmental Affairs
Office of the Inspector General
Office of Public Affairs
Office of the Solicitor

Labor's workforce development responsibilities are housed in the Employment and Training Administration (ETA) and the Veterans' Employment and Training Service. Together, they have a fiscal year 1997 budget of about $6.5 billion and 1,595 FTEs. Labor's employment training programs include multiple programs authorized by the Job Training Partnership Act (JTPA), such as those for economically disadvantaged adults and youth and workers who lose their jobs because of plant closings or downsizing and Job Corps, an intensive residential program for severely disadvantaged youth. Table 1 shows Labor's appropriations and staff-year spending for fiscal year 1997.

Labor has four units responsible for most of its worker protection programs: the Employment Standards Administration, the Pension and Welfare Benefits Administration, OSHA, and the Mine Safety and Health

BEST COPY AVAILABLE

Administration. Together, these units have 9,020 FTEs and a budget of $915 million for fiscal year 1997.

Table 1: Department of Labor Appropriations and Staff-Year Spending, Fiscal Year 1997

Category	Fiscal year 1997 appropriations (in millions)	Full-time-equivalent staff-years
Unemployment insurance and other income maintenance expenses	$26,467	[a]
Employment training[b]	6,460	1,595
Worker protection	915	9,020
Employment Standards Administration	316	3,942
Pension and Welfare Benefits Administration	77	639
Occupational Safety and Health Administration	325	2,241
Mine Safety and Health Administration	197	2,198
Pension Benefits Guaranty Corporation	10	731
Bureau of Labor Statistics	361	2,544
Departmental management	165	2,274
Office of Inspector General	47	450
Total	**$34,425**	**16,614**

[a]Included under employment training.

[b]Includes ETA and Veterans' Employment and Training Service.

Source: Department of Labor.

Workforce Development Mission Is Challenged by Multiple Programs

Our work has demonstrated that the federal government has a patchwork of job training programs characterized by overlap and duplication, resulting in the potential for wasted resources and reduced service quality.[3] We have also noted in past work the limited information available on employment training program outcomes and effectiveness.[4] Further, it is

[3]Multiple Employment Training Programs: Information Crosswalk on 163 Employment Training Programs (GAO/HEHS-95-85FS, Feb. 14, 1995) and Multiple Employment Training Programs: Major Overhaul Needed to Reduce Costs, Streamline the Bureaucracy, and Improve Results (GAO/T-HEHS-95-53, Jan. 10, 1995).

[4]Multiple Employment Training Programs: Basic Program Data Often Missing (GAO/T-HEHS-94-239, Sept. 28, 1994) and Multiple Employment Training Programs: Most Federal Agencies Do Not Know if Their Programs Are Working Effectively (GAO/HEHS-94-88, Mar. 2, 1994).

uncertain how this fragmented system will be able to meet the employment demands of those affected by the recent welfare reform legislation.

Multiple Employment Programs With Limited Information

A major challenge for Labor is to facilitate workforce development within the context of a conglomeration of programs operated by Labor and 14 other federal departments and agencies. Table 2 shows the number of different employment training programs that existed in fiscal year 1995, their target groups, and fiscal year 1995 appropriations. For example, we found that 9 programs targeting economically disadvantaged individuals had similar goals; often served the same categories of people; and provided many of the same services using separate, often parallel, delivery structures.

Table 2: Number of Employment Training Programs and Fiscal Year 1995 Appropriations, by Target Group

	Employment training programs			Fiscal year 1995 appropriations (in millions)	
Target groups	Total	At Labor	At other agencies (number of agencies)	Total	Labor
Youth	19	7	12 (5)	$2,848	$2,441
Veterans	16	4	12 (2)	1,092	175
Dislocated workers	10	8	2 (2)	1,647	1,574
Native Americans	10	1	9 (3)	121	64
Economically disadvantaged	9	3	6 (4)	3,220	947
Women/minorities	6	0	6 (3)	69	0
Migrants	5	1	4 (1)	100	86
Homeless	5	1	4 (3)	11	0
Older workers	4	2	2 (1)	562	463
Refugees	4	0	4 (1)	109	0
Not categorized	75	10	65 (10)	10,635	1,094
Total	**163**	**37**	**126**	**$20,414**	**$6,844**

Consolidating federal employment training programs could probably reduce the cost of providing job training services because of the efficiencies achieved through eliminating duplicative administrative activities. Although the amount of money spent administering employment training programs cannot be readily quantified and is generally not even tracked by program, we believe it is substantial. For that reason, we identified consolidation of job training programs as an option the

Congress could consider to reduce the deficit.[5] Alternatively, the Congress could spend the same amount of money and serve more people.

Further, consolidating similar employment training programs could result in improved opportunities to increase effectiveness in service delivery. For example, consolidating programs could improve the assistance provided to the target populations because individuals would be more likely to receive the mix of services needed to achieve training or placement goals. And, getting needed services might be less confusing and frustrating to clients, employers, and administrators.

In anticipation of federal consolidation legislation, and to improve their local service delivery, many states are moving ahead with their own consolidation plans.[6] Labor has engaged in several efforts to assist states in these consolidation efforts. For example, Labor has promoted the development of "one-stop career centers." These centers are designed to transform an array of employment training programs into an integrated service delivery system for job-seekers and employers. Labor expects them to identify the jobs that are available, the skills they require, and the institutions that have proven track records of preparing people for new work. This information will probably be available largely through computer links. As of February 1996, 54 states and jurisdictions had received planning or implementation grants to establish one-stop centers.

In addition, Labor and the Department of Education jointly administer the school-to-work program—a program designed to build integrated learning and employment opportunities for youth. The proposed fiscal year 1998 budget includes $200 million for each agency to ensure that "seed capital" grants to states and communities continue.

Not only are Labor's employment training programs part of a fragmented system but, despite spending billions of dollars each year, many federal agencies operating these programs do not know if their programs are really helping people find jobs. From our past work, a common theme has emerged: Most agencies lack very basic information needed to manage their programs. In one of our reviews, we found that 60 percent of the 77 programs could not provide current and complete information on how many people were served in fiscal year 1993. Programs also lack outcome

[5]Addressing the Deficit: Updating the Budgetary Implications of Selected GAO Work (GAO/OCG-96-5, June 28, 1996).

[6]The 104th Congress considered legislation to reform and consolidate federal employment training programs. Measures were adopted in both the House and Senate; but, after extended consideration, a conference report was not agreed upon.

data. In our review of 62 programs for which the economically disadvantaged individuals were eligible, we found that less than half of the programs obtained data on whether or not participants obtained jobs after they received services.

To its credit, Labor has collected much basic information, including outcome data, on its major employment training programs, such as Job Corps and other programs funded under JTPA. It has also conducted some evaluations to assess the impact of its programs. However, our reviews have shown that existing performance measures and studies still do not provide the kind of information that would provide confidence that funds are being spent to the greatest advantage of participants. Our reviews of the Job Corps program illustrate some of the weaknesses in current data collection and evaluation efforts.[7]

Job Corps is a national employment training program that provides severely disadvantaged youth with comprehensive services, generally in a residential setting, at a cost of about $1 billion a year to serve about 66,000 participants. Job Corps has a list of performance measures on which the over 100 individual centers are ranked each year. Moreover, to demonstrate the effectiveness of Job Corps, Labor cites the positive results of a national impact study. We have raised questions, however, about how valuable the information from these sources is in determining whether the high costs are justified by program outcomes.

Jobs Corps reported that, nationally, 59 percent of its students obtained jobs in fiscal year 1993. However, when we surveyed a sample of employers identified in Job Corps records, we were left with serious concerns about the validity of reported job placement information. Despite Job Corps placement verification procedures, we found that about 15 percent of the reported placements in our sample were potentially invalid. In addition, we found that about half of the jobs obtained by students from the sites we visited were low-skill jobs—such as fast food worker—unrelated to the training provided by Job Corps.

The last comprehensive study of the effectiveness of the Job Corps program, which supported the cost-effectiveness of the program, was published more than 15 years ago. More recently, audits by Labor's Inspector General, media reports, and congressional oversight hearings have surfaced issues about the quality of training and outcomes. In 1994,

[7]Job Corps: High Costs and Mixed Results Raise Questions About Program's Effectiveness (GAO/HEHS-95-180, June 30, 1995).

Labor initiated a major impact evaluation of the Jobs Corps program. This study, the initial results of which are expected to be available in 1998, should be extremely useful to inform decisions about the future of the program.

Welfare Act Work Requirements Pose Challenges for Workforce Development Programs

The passage of the recent welfare reform legislation is likely to have an impact on the structure and delivery of employment training programs at the state and local levels.[8] Because of the work requirements imposed by that legislation, many individuals formerly on welfare will be needing job assistance and training services. The responsibility for service delivery lies with state and local offices, yet Labor has an important role because of its expertise and experience. Labor can encourage and facilitate, as appropriate, the integration of employment training services that may be required to meet the needs of the welfare population.

How to serve those individuals transitioning from welfare to work, while at the same time meeting the service needs of dislocated workers and other client populations, is a challenge for Labor. Concerns have been raised about the availability of appropriate jobs, the level of training and skills required for jobs, the impact of competition for low-skilled jobs on the wages of low-skilled workers, and the extent to which the current employment training system can absorb and provide needed services to the expanded welfare population.

In addition, it is critical that Labor and other agencies providing services consider the employment training needs of welfare clients in the process of providing job placement assistance. Our work on promising employment training practices shows that providing occupational skills alone is not the answer. Equally, or perhaps even more, important are employability skills—the ability not only to get a job but to keep a job.[9] Concerns have been raised that in the rush to place welfare clients in jobs, if the appropriate mix of skills is not provided, many clients potentially will lose their jobs and go back on welfare.

It is too early to determine the direction or magnitude of the changes that will occur as a result of these pressures. At the same time, Labor can begin

[8]Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

[9]Employment Training: Successful Projects Share Common Strategy (GAO/HEHS-96-108, May 7, 1996). In addition to improving employability skills, we identified three other key features that successful projects incorporated in their strategy: (1) ensuring participant commitment to training and getting a job, (2) removing barriers that might limit a client's ability to finish training and get and keep a job, and (3) linking occupational skills training with the local labor market.

to monitor the situation and be responsive to the needs of states and localities as they transition individuals from welfare to work. For example, our work on identifying strategies used by successful employment training projects is the type of information that can be shared with states to assist their efforts.

Opportunities Exist to Improve Labor's Worker Protection Efforts

When we testified before this Subcommittee almost 2 years ago about the overall federal role in worker protection,[10] we stressed the need for Labor to change its approach to one that was more service oriented and made more efficient use of agency resources. Some evidence exists that Labor has moved in that direction, especially in OSHA. But this change has not been without controversy, and further opportunities exist to develop alternative regulatory approaches.

In addition to the overall need to consider alternatives to current regulatory approaches, Labor faces regulatory challenges in two specific areas: (1) redesigning the wage determination process under the Davis-Bacon Act and (2) as a result of recent legislative action, developing and enforcing regulations regarding portability of employer-provided health insurance.

Implementing Alternative Regulatory Approaches

Labor, like other regulatory agencies, is faced with balancing the emphasis it places on different strategies for carrying out its mission. These strategies include (1) establishing workplace standards that directly set the terms and conditions of employment and relying on Labor's enforcement efforts, in combination with judicial review, to enforce these standards and (2) encouraging the direct resolution of workplace problems by the parties themselves. In a June 1994 report[11] describing actual employer and employee experiences with worker protection regulations, we summarized the concerns of both employers and unions that agencies change their approaches toward regulation. They urged agencies to develop a more service-oriented approach: improving information access and educational assistance to employers, workers, and unions and permitting more input into agency standard setting and enforcement efforts. Responding to these concerns would put more emphasis on giving parties the tools to resolve problems themselves, as

[10]Department of Labor: Rethinking the Federal Role in Worker Protection and Workforce Development (GAO/T-HEHS-95-125, Apr. 4, 1995).

[11]Workplace Regulation: Information on Selected Employer and Union Experiences (GAO/HEHS-94-138, Vol. 1, June 30, 1994).

well as make enforcement less of a "gotcha" exercise and more one that recognizes good faith compliance efforts. These changes would also have the potential for improving the way limited agency resources are used for regulatory purposes.

Changes in OSHA's regulatory approach illustrate Labor's action in this direction. In May 1995, the administration announced three regulatory reform initiatives to "enhance safety, trim paperwork, and transform OSHA." This action was considered necessary because, despite OSHA's efforts, the number of workplace injuries and illnesses was still too high, with over 6,000 workers dying each year from workplace injuries and 6 million suffering nonfatal workplace injuries. In addition, the administration acknowledged that the public saw OSHA as driven too often by numbers and rules, not by smart enforcement and results. The first initiative, the "New OSHA," called for OSHA to change its fundamental operating paradigm from one of command and control to one that provides employers a real choice between partnership and a traditional enforcement relationship. The second initiative, "Common Sense Regulation," called for a change in approach by identifying clear and sensible priorities, focusing on key building block rules, eliminating or updating and clarifying out-of-date and confusing standards, and emphasizing interaction with business and labor in the development of rules. The third initiative, "Results, Not Red Tape," called for OSHA to change the way it works on a day-to-day basis by focusing on the most serious hazards and the most dangerous workplaces and by insisting on results instead of red tape.

OSHA has continued to operate with this approach, but it has not done so without criticism. For example, the administration's fiscal year 1998 budget request includes an increase of $8.4 million for OSHA's partnership initiatives. These initiatives include such activities as cooperative compliance programs, which build on the "Maine 200 program," initiated as a pilot in 1993. Cooperative compliance programs offer companies with high numbers of workplace injuries or illnesses a chance to conduct self-inspections to identify workplace hazards and develop worksite safety and health action plans. In return for such participation, these companies may have a lower priority on the primary target inspection list. For employers who decline the offer of a partnership, the traditional enforcement approach is used. According to trade news press, while many people have praised the partnership initiatives, others have raised questions such as the following:

- What data should be used to identify companies with high numbers of injuries (workers' compensation claims, claims rates, or other data)?
- Has the effectiveness of the pilot effort been demonstrated well enough to extend it nationwide?
- Has the emphasis on partnerships been at the expense of effective enforcement actions against companies continuing to violate the standards?

Further opportunities exist for OSHA to leverage its resources and demonstrate "smarter" enforcement. For example, in a recent study, we found that the federal government awarded $38 billion in federal contracts during fiscal year 1994 to at least 261 corporate parent companies with worksites where OSHA had proposed significant penalties for violations of safety and health regulations.[12] We pointed out that agencies could use awarding federal contracts as a vehicle to encourage companies to improve workplace safety and health or—if companies refuse to improve working conditions—debar or suspend federal contractors for violation of safety and health regulations. One of our recommendations was that OSHA work with the General Services Administration and the Interagency Committee on Debarment and Suspension on policies and procedures regarding how safety and health records of federal contractors could be shared to help agency awarding and debarring officials in their decisionmaking. Labor recently told us that some discussions have occurred between OSHA and the Interagency Committee, but final decisions have not been reached on any new policies and procedures.[13]

Improving the Davis-Bacon Wage Determination Process

The Wage and Hour Division within Labor's Employment Standards Administration has responsibility for administering the Davis-Bacon Act. This act requires that workers on federal construction projects in excess of $2,000 be paid the wages and fringe benefits that the Secretary of Labor determines to be "prevailing" in their locality for their class of worker. The act itself has been controversial throughout its more than 60 years of existence. Much of the controversy has hinged on whether Labor sets

[12]Occupational Safety and Health: Violations of Safety and Health Regulations by Federal Contractors (GAO/HEHS-96-157, Aug. 23, 1996).

[13]Several newspaper accounts, however, have reported that in a Feb. 18, 1997, meeting with A.F.L.-C.I.O. leaders, the Vice President announced that the administration is developing guidance requiring a company's record on labor laws and violations of safety and health laws to be considered in awarding federal contracts.

prevailing wage rates that are, in fact, higher than those prevailing in the area—thus artificially inflating federal construction costs.[14]

Labor has acknowledged weaknesses in its wage determination process that call into question the integrity and accuracy of some of its wage determinations. For this reason, it requested funds to develop, evaluate, and implement alternative reliable methodologies or procedures that would yield accurate and timely wage determinations at a reasonable cost. Labor's fiscal year 1997 budget request included $3.7 million for that purpose. The conference report accompanying the Department's appropriation requested that we review these implementation activities to determine whether they will achieve their goals. We will do so and report our findings to the Appropriation Committees, as requested, when Labor has completed its work.

Labor took some actions that we recommended in our May 1996 report as a short-term solution to reduce its vulnerability to the use of fraudulent or inaccurate data in the wage determination process. These actions, including increased verification of information provided by employers, will at least reduce some of the vulnerabilities of the existing process. The larger challenge facing Labor, however, is to examine and substantially improve the overall process.

Health Insurance Portability

Labor's Pension and Welfare Benefits Administration (PWBA) has significant new regulatory, interpretive, enforcement, and disclosure responsibilities associated with implementing the Health Insurance Portability and Accountability Act of 1996 (HIPAA). These responsibilities stem from Labor's role in enforcing and administering the Employee Retirement Income Security Act of 1974 (ERISA), which regulates the 2.5 million private sector, employment-based health benefit plans that cover an estimated 125 million workers and their families. HIPAA amended ERISA to provide for improved portability and continuity of health coverage. The HIPAA portability provisions are designed to improve the availability and portability of health insurance coverage by (1) limiting exclusions for preexisting conditions and providing credit for previous coverage, (2) guaranteeing availability of health coverage for small employers, (3) prohibiting discrimination against employees and dependents on the basis of health status, and (4) guaranteeing renewability of health coverage for employers and individuals. These

[14]Davis-Bacon Act: Process Changes Could Raise Confidence That Wage Rates Are Based on Accurate Data (GAO/HEHS-96-130, May 31, 1996).

provisions will make it much easier for workers to change jobs and maintain health care coverage. And, according to Labor, millions more who have been unwilling to leave their job for a better one out of concern that they would lose their health care coverage would also benefit.

The Congress set a very short timeframe for implementing these protections: Although the act was only signed into law on August 21, 1996, the regulations to carry out the portability provisions must be issued by April 1, 1997. Labor is working with the Department of Health and Human Services and the Treasury Department to meet that date because these provisions—called "shared provisions"—involve overlapping responsibilities of the three departments. In a statement before the Senate Committee on Labor and Human Resources in February of this year, the Assistant Secretary of Labor for PWBA said the three departments are "on track" to meet that goal.[15] The regulations issued by April 1 will target the preexisting condition limitation and certification of previous health coverage portions of the portability provisions. The regulations will reflect comments received in response to a December notice in the Federal Register and will be fully effective when issued. Nevertheless, Labor intends to ask for public comments after they are issued and consider the need for any changes on the basis of the comments. Work will continue on other portions of the portability provisions after publication of the first set of regulations.

Statutory Framework for Improving Labor's Management Practices

Adopting improved management practices can help Labor become more effective in achieving its mission of improving workforce skills and protecting workers. Recognizing that federal agencies have not always brought the needed discipline to their management activities, recent legislation provides a framework for addressing long-standing management challenges. The centerpiece of this framework is the 1993 Government Performance and Results Act. Other elements are the 1990 Chief Financial Officers Act, the 1995 Paperwork Reduction Act, and the 1996 Clinger-Cohen Act. These laws each responded to a need for accurate, reliable information for executive branch and congressional decision-making. Labor has begun to implement these laws which, in combination, provide a powerful framework for developing (1) fully integrated information about Labor's mission and strategic priorities, (2) performance data to evaluate the achievement of those goals, (3) the relationship of information technology investments to the achievement of

[15]Statement of Olena Berg, Assistant Secretary of Labor, PWBA, before the Senate Committee on Labor and Human Resources, Feb. 11, 1997.

performance goals, and (4) accurate and audited financial information about the costs of achieving mission outcomes.

Improving Mission Performance and Results

GPRA is aimed at improving program performance. It requires that agencies consult with the Congress and other stakeholders to clearly define their missions. It also requires that they establish long-term strategic goals, as well as annual goals linked to them. They must then measure their performance against the goals they have set and report publicly on how well they are doing. In addition to ongoing performance monitoring, agencies are expected to perform discrete evaluation studies of their programs, and to use information obtained from these evaluations to improve the programs.[16]

In moving toward an increased emphasis on program performance and results, Labor has begun developing an agencywide plan that describes its mission, goals, and objectives. According to the Office of Management and Budget (OMB), developing an overall mission and goals is a formidable challenge for Labor because of the diversity of the functions performed by its different offices. OMB officials have told us that the different offices in Labor have developed draft strategic plans that describe their respective goals and performance indicators. For example, ETA's plan describes its mission, its strategies for achieving its employment training objectives, and the measures it will use to assess program outcomes. These plans were submitted to OMB with the Department's most recent budget submission. Although Labor is not required to submit the strategic plans to the Congress and OMB until September 1997, this year's early submission was used to obtain informal review and feedback on the draft plans.

According to OMB, Labor is committed to developing a strategic approach that includes measurable outcomes. OMB's review of Labor's plans indicated that some parts of the Department are doing better than others, especially in identifying measures to assess results. At the same time, OMB recognizes that developing such measures may be more difficult for some offices than for others because of the differences in the specificity of goals and difficulty of quantifying some outcomes.[17]

[16]Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996) and Managing for Results: Using GPRA to Assist Congressional and Executive Branch Decisionmaking (GAO/T-GGD-97-43, Feb. 12, 1997).

[17]By June 1997, we will be reporting on the prospects for governmentwide compliance with GPRA.

According to Labor, it is continuing to make progress in meeting GPRA legislative mandates. Over the next few months, Labor officials will continue discussions with OMB as well as consultations with the Congress and the stakeholders.

OSHA, as one of the GPRA pilot agencies, has been involved in a number of activities geared toward making the management improvements envisioned by the act. It has developed a draft strategic plan that identifies its performance goals and measures, and it has been working to develop a comprehensive performance measurement system that will focus on outcomes to measure its own effectiveness. OSHA and state representatives have discussed the application of this comprehensive system to OSHA's monitoring of state safety and health programs. Although we have not reviewed the quality of OSHA's performance measures, these types of planning and assessment efforts are consistent with those set out in GPRA to promote a results orientation in reviewing programs. This system, when fully implemented, will also be responsive to recommendations we made in a February 1994 report.[18]

Labor's decentralized organizational structure makes adopting the better management practices described in GPRA quite challenging. Labor has 24 component offices or units, with over 1,000 field offices, to support its various functional responsibilities. Establishing departmental goals and monitoring outcome measures is a means by which the Department can ensure that its operations are working together toward achieving its mission.

Improving Financial Reporting

The CFO Act was designed to remedy decades of serious neglect in federal financial management operations and reporting. It created a foundation for improving federal financial management and accountability by establishing a financial management leadership structure and requirements for long-range planning, audited financial statements, and strengthened accountability reporting. The act created chief financial officer positions at each of the major agencies, most of which were to be filled by presidential appointment. Under the CFO Act, as expanded in 1994, Labor, as well as all other 23 major agencies, must prepare an annual financial statement, beginning in fiscal year 1996.

[18]In Occupational Safety and Health: Changes Needed in the Combined Federal-State Approach (GAO/HEHS-94-10, Feb. 28, 1994), we recommended that OSHA emphasize measures of program outcome and evaluations of the effectiveness of specific program features as it assesses both its own activities and those of the state-operated occupational safety and health programs it is statutorily responsible for overseeing.

Since 1986, Labor has produced audited departmentwide financial statements, thus complying with this requirement of the CFO Act. Producing audited financial statements that comply with the act involves obtaining an independent auditor's opinion on the Department's financial statements, report on the internal control structure, and report on compliance with laws and regulations. By meeting these requirements, Labor has been instilling accountability and oversight into its financial activities. Labor also has a chief financial officer, in compliance with the act.

Improving Information Management and the Use of Information Technology

The Paperwork Reduction Act of 1995 is the overarching statute dealing with the acquisition and management of information resources by federal agencies. The Clinger-Cohen Act of 1996 reinforces this theme by elaborating on requirements that promote the use of information technology to better support agencies' missions and to improve program performance. Among their many provisions are requirements that agencies set goals, measure performance, and report on progress in improving the efficiency and effectiveness of information management generally—and specifically, the acquisition and use of information technology.

The Paperwork Reduction Act is based on the concept that information resources should support agency mission and performance. An information resources management plan should delineate what resources are needed, as well as how the agency plans to minimize the paperwork burden on the public and the cost to the government to collect the information. The Clinger-Cohen Act sets forth requirements for information technology investment to ensure that agencies have a system to prioritize investments. Clinger-Cohen also requires that a qualified senior-level chief information officer be appointed to guide all major information resource management activities.

Labor has made some efforts to improve its information management systems; for example, it has appointed a chief information officer. OMB, in 1996, raised a question regarding this individual's also serving as the Assistant Secretary for Administration and Management. The Clinger-Cohen Act requires that information resources management be the primary function of the chief information officer. Because it is unclear whether one individual can fulfill the responsibilities required by both positions, OMB has asked Labor to evaluate its approach and report back to OMB in a year.

In past work, we have identified weaknesses in Labor's information management practices. For example, our review of Labor's field offices demonstrated the lack of centrally located information on key departmental functions, such as field office locations, staffing, and costs. We eventually identified 1,074 field offices,[19] having constructed a profile of information about these field offices from information Labor provided.[20] But constructing this profile was difficult. In response to our request for this information, Labor's Office of the Assistant Secretary for Administration and Management queried the individual components and assembled a list of 1,037 field offices. We identified other offices using documents Labor provided, which brought the total to 1,056. When Labor reviewed a draft of the report, it amended the list again to add 18 more offices and bring the total to 1,074. Consequently, we had to report as a limitation of our findings that there was no assurance that all the information provided used consistent definitions and collection methods.

In our report on Labor's Davis-Bacon wage determination process,[21] we also identified limited computer capabilities as a reason for the process' vulnerability to use of fraudulent or inaccurate data. We found a lack of both computer software and hardware that could assist wage analysts in their reviews. For example, Labor offices did not have computer software that could detect grossly inaccurate data reported in Labor's surveys to obtain wage data. And the hardware was so outdated that the computers had too little memory to store historical data on prior wage determinations, which would have allowed wage analysts to compare current data with prior recommendations for wage determinations in a given locality.

The OIG cited areas in which Labor needs to improve its information management practices, especially those used to support financial accounting systems. For example, the OIG reported on ETA's system for accounting for the Job Corps program's real and personal property. The OIG noted that ETA's systems were insufficient, relying primarily on manual spreadsheets; were not integrated with Labor's general ledger; and were

[19]We defined a "field office" as any type of office other than a headquarters office—for example, a regional office, district office, or area office—established by a Labor component.

[20]Education and Labor: Information on the Departments' Field Offices (GAO/HEHS-96-178, Sept. 16, 1996).

[21]GAO/HEHS-96-130, May 31, 1996.

not reconcilable to Job Corps contractor reports. As a result, there was insufficient accountability for Job Corps real property expenditures.[22]

This year, we added two new areas to our "high-risk" issues, both of which apply to Labor as well as to all other government agencies.[23] The first area, information security, generally involves an agency's ability to adequately protect information from unauthorized access. Ensuring information security is an ongoing challenge for Labor, especially given the sensitivity of some of the employee information being collected.

The second area involves the need for computer systems to be changed to accommodate dates beyond the year 1999. This "year 2000" problem stems from the common practice of abbreviating years by their last two digits. Thus, miscalculations in all kinds of activities—such as benefit payments, for example—could occur because the computer system would interpret 00 as 1900 instead of 2000. Labor, along with other agencies that maintain temporal-based systems, is faced with the challenge of developing strategies to deal with this potential problem area in the near future.

Conclusion

Labor's programs touch the lives of nearly every American because of the Department's responsibilities for employment training, job placement, and income security for workers when they are unemployed, as well as workplace conditions. Labor's mission is an urgent one. Each day or week or year of unemployment or underemployment is one too many for individuals and their families. Every instance of a worker injured on the job or not paid legal wages is one that should not occur. Every employer frustrated in attempts to find competent workers or to understand and comply with complex or unclear regulations contributes to productivity losses our country can ill afford. And every dollar wasted in carrying out the Department's mission is one we cannot afford to waste.

Labor currently has a budget of about $34 billion and about 16,000 staff to carry out its program activities. Over the years, however, our work has questioned the effectiveness of these programs and called for more efficient use of these substantial resources.

[22]Office of Inspector General, U.S. Department of Labor, Semiannual Report to the Congress (Washington, D.C.: U.S. Department of Labor, Apr. 1-Sept. 30, 1996).

[23]High-Risk Series: Information Management and Technology (GAO/HR-97-9, Feb. 1997). See also, High-Risk Series: An Overview (GAO/HR-97-1, Feb. 1997) and High-Risk Series: Quick Reference Guide (GAO/HR-97-2, Feb. 1997).

Like other agencies, Labor must focus more on the results of its activities and on obtaining the information it needs for a more focused, results-oriented management decision-making process. GPRA and the CFO, Paperwork Reduction, and Clinger-Cohen Acts give Labor the statutory framework it needs to manage for results. Labor has begun to improve its management practices in ways that are consistent with that legislation, but implementation is not yet far enough along for it to fully yield the benefits envisioned.

We are hopeful that the changes Labor is making in its approach to management will help it better address the two challenges we have identified:

- developing employment skills through programs that meet the needs of a diverse workforce in the most cost-effective way and
- effectively ensuring the well-being of the nations' workers while reducing the burden of providing that protection.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions that you or Members of the Subcommittee might have.

Contributors

For more information on this testimony, call Harriet C. Ganson, Assistant Director, at (202) 512-9045. Joan Denomme and Jacqueline Harpp also contributed to this statement.

Related GAO Products

Workforce Skills

Employment Training: Successful Projects Share Common Strategy (GAO/HEHS-96-108, May 7, 1996).

Job Corps: High Costs and Mixed Results Raise Questions About Program's Effectiveness (GAO/HEHS-95-180, June 30, 1995).

Multiple Employment Training Programs: Information Crosswalk on 163 Employment Training Programs (GAO/HEHS-95-85FS, Feb. 14, 1995).

Multiple Employment Training Programs: Major Overhaul Needed to Reduce Costs, Streamline the Bureaucracy, and Improve Results (GAO/T-HEHS-95-53, Jan. 10, 1995).

Worker Protection

OSHA: Potential to Reform Regulatory Enforcement (GAO/T-HEHS-96-42, Oct. 17, 1995).

Davis-Bacon Act: Process Changes Could Raise Confidence That Wage Rates Are Based on Accurate Data (GAO/HEHS-96-130, May 31, 1996).

Management Issues

Managing for Results: Using GPRA to Assist Congressional and Executive Branch Decisionmaking (GAO/T-GGD-97-43, Feb. 12, 1997).

Information Technology Investment: Agencies Can Improve Performance, Reduce Costs, and Minimize Risks (GAO/AIMD-96-64, Sept. 30, 1996).

Information Management Reform: Effective Implementation Is Essential for Improving Federal Performance (GAO/T-AIMD-96-132, July 17, 1996).

Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested